

Message Text

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TO USMISSION GENEVA PRIORITY

AMEMBASSY OTTAWA

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MTN PASS HAMERSCHLAG

E.O. 11652: N/A

TAGS: MTN/ETRD/CA

SUBJECT: FOREST PRODUCT DISCUSSION: CANADA

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REF: GENEVA 07175, GENEVA 07362, GENEVA 08468

1. SUMMARY

DURING JUNE 19 DISCUSSION WITH BROAD SPECTRUMS OF OFFICIALS FROM THE CANADIAN DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE, AND THE OFFICE OF THE COORDINATOR FOR THE MTN, THE U.S. DELEGATION FOUND LITTLE INTEREST ON THE PART OF THE CANADIANS IN EITHER HARMONIZATION OF CANADIAN AND U.S.

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PLYWOOD STANDARDS OR THE DEVELOPMENT OF A COMMON APPROACH TO THE JAPANESE BASED UPON U.S. STANDARDS. A FURTHER EXCHANGE OF VIEWS WILL BE HELD, PERHAPS BY PHONE, IN ABOUT 10 DAYS. END SUMMARY.

2. IN A LENGTHY DISCUSSION REGARDING THE UTILIZATION OF PLYWOOD IN CANADA, THE GOC REPRESENTATIVES ARGUED THAT

PLYWOOD MEETING U.S. STANDARDS (INCLUDING CDX) FACES NO PARTICULAR BARRIERS IN THE CANADIAN MARKET. TRADE DATA FOR 1974, WHEN U.S. PLYWOOD CAPTURED 20 PERCENT OF THE

CANADIAN MARKET - MUCH OF IT WITH D GRADE VENEERS - WAS PRESENTED AS EVIDENCE OF MARKET OPENNESS. THEY STATED THAT ONLY SUPPLY/DEMAND AND PRICE CONSIDERATIONS DETERMINE SALES LEVELS. IN HOME CONSTRUCTION, THE MODEL BUILDING CODE, ADAPTED FOR USE BY MANY PROVINCES AND CITIES, SPECIFIES THAT ONLY PLYWOOD THAT CONFORMS TO THE CANADIAN STANDARD FOR EXTERIOR PLYWOOD (ONLY C GRADE VENEER OR BETTER BONDED WITH EXTERIOR GLUE) MAY BE USED IN CERTAIN APPLICATIONS WHERE STRENGTH IS NEEDED - (ROOF SHEATHING, SUB-FLOORING). IN THOSE CASES IMPORTED CDX WOULD NOT BE APPROVED FOR RESIDENTIAL CONSTRUCTION. ENFORCEMENT OF THIS CODE IS A LOCAL MATTER HOWEVER AND IS NOT SUBJECT TO FEDERAL REGULATION OR CONTROL. FEDERAL REGULATIONS DO SPECIFY THAT HOUSES FINANCED BY THE CENTRAL MORTGAGE AGENCY MUST CONFORM TO PROVISION OF BUILDING CODES, INCLUDING THOSE REQUIRING USE OF PLYWOOD MEETING THE CANADIAN STANDARD FOR EXTERIOR USE (C OR BETTER) IN ROOF SHEATHING AND SUB-FLOORING.

CANADIAN GRADING STANDARDS ARE ESTABLISHED FOR EACH GRADE BY AN INDEPENDENT ASSOCIATION WHICH IS NOT SUBJECT TO GOVERNMENT CONTROL ALTHOUGH THERE ARE REPRESENTATIVES LIMITED OFFICIAL USE

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FROM A NUMBER OF CENTRAL GOVERNMENT AGENCIES ON THE ASSOCIATION BOARD. IT IS APPARENT THEREFORE THAT THE GOVERNMENT HAS CONSIDERABLE INFLUENCE ON THE SETTING OF STANDARDS. CANADIAN DELEGATES ALSO ARGUED THAT THEIR INDUSTRY HAS TAKEN GREAT CARE IN PROMOTING AN IMAGE OF CANADIAN PLYWOOD AS A PREMIUM PRODUCT SUITABLE FOR ANY USE. ADOPTION OF A WEAKER PRODUCT STANDARD (D GRADE) WOULD NOT BE IN THE CONSUMER INTEREST AND WOULD UNDERMINE THEIR MARKET DEVELOPMENT EFFORTS.

THEY ALSO DISCOUNTED THE IDEA THAT CANADA WILL BE FORCED TO MOVE INTO LOWER GRADE TIMBER AND THUS LOWER QUALITY VENEERS IN THE NEAR FUTURE. RATHER, THEY ARE DEPLETING THEIR SUPPLY OF DOUGLAS FIR, SUBSTITUTING LARGER QUANTITIES OF SPRUCE, WHICH IS SUITABLE FOR C GRADE PLYWOOD BECAUSE IT HAS SMALL, INFREQUENT KNOTS. BASED ON THIS DISCUSSION, IT IS APPARENT THAT, AT PRESENT, THERE IS LITTLE CANADIAN INTEREST IN A TRADE-OFF BETWEEN A U.S. TARIFF CONCESSION ON PLYWOOD AND A CHANGE IN CANADIAN STANDARD TO RENDER D GRADE PLYWOOD ACCEPTABLE.

THE U.S. DELEGATION PRESENTED OUR POSITION THAT PLYWOOD

WITH D GRADE VENEERS IS STRUCTURALLY APPROPRIATE FOR USE IN ROOF SHEATHING AND SUB-FLOORS. BOTH RESEARCH AND LONG-TERM USE IN AREAS OF THE U.S. WITH CLIMATIC CON-

DITIONS SIMILAR TO THOSE OF CANADA, HAVE PROVEN THAT THE PRODUCT MEETS ADEQUATE PERFORMANCE STANDARDS. THE U.S. DELEGATION SUGGESTED THAT THE AVAILABILITY OF C GRADE MATERIAL IN CANADA DOES NOT JUSTIFY ARBITRARY EXCLUSION OF D GRADES WHICH CAN PERFORM SATISFACTORILY. AT THE BEGINNING OF THE DISCUSSION AND LATER IN RESPONSE TO SPECIFIC QUESTIONS, THE U.S. DELEGATION EMPHASIZED THE SERIOUSNESS WITH WHICH THE U.S. GOVERNMENT AND INDUSTRY VIEWS THIS TRADE BARRIER. U.S. DEL FURTHER STRESSED THAT THE ABILITY OF THE USG TO MAINTAIN ITS TARIFF OFFER WAS LIMITED OFFICIAL USE

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HEAVILY DEPENDENT UPON CANADA'S RESPONSIVENESS TO OUR REQUEST FOR LIBERALIZATION OF SOFTWOOD PLYWOOD STANDARDS.

THE CANADIAN DELEGATION EXPRESSED SURPRISE THAT THE WESTERN CANADIAN PLYWOOD INDUSTRY WOULD SUPPORT A REVISION OF THE PLYWOOD STANDARD. IT APPEARS THAT CANADIAN INTEREST IN THIS CHANGE (REFTEL GENEVA 7175, PARA. 2) MAY HAVE BEEN OVERSTATED.

AT CONCLUSION OF MEETING BOTH SIDES AGREED IT WOULD BE HELPFUL TO EXCHANGE VIEWS AGAIN - EITHER IN GENEVA OR BY PHONE - IN 10 DAYS OR SO AFTER FURTHER CONSULTATIONS WITH INDUSTRY AND AT THE CONCLUSION OF THE JAPANESE VISIT TO THE U.S. AND CANADA. NO DETAILED DISCUSSION OF A COMMON APPROACH TO JAPAN WAS UNDERTAKEN. BOTH SIDES AGREED THEY HAVE SIMILAR DIFFICULTIES WITH EXPORTING TO JAPAN BUT BECAUSE OF THE DIVERGENCE OF VIEWS ON THE U.S. - CANADIAN STANDARDS ISSUE, THE DEVELOPMENT OF A COMMON APPROACH MAY NOT BE CURRENTLY FEASIBLE.

3. MEMBERS OF THE U.S. DELEGATION WILL MEET WITH ISAC REPRESENTATIVES ON FRIDAY TO DISCUSS THE OUTCOME OF THIS VISIT AND TO CONSIDER FUTURE COURSES OF ACTION.

4. USG IS CURRENTLY EXAMINING FOREIGN TARIFF OFFERS ON WOOD PRODUCTS. WE ARE INTERESTED IN KNOWING WHETHER THE CANADIANS MADE TARIFF REQUESTS OF THE JAPANESE IN THOSE ITEMS WHERE THEY ARE PRINCIPAL SUPPLIERS. IF SO, DOES GENEVA KNOW WHETHER OFFERS WERE MADE BY THE JAPANESE ON THOSE PRODUCTS? VANCE

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